

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors June 9, 2008

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June 9, 2008, at 230 Spring Hill Drive, Suite 325, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Danny E. Agans, President
Michael Smith, Vice President
Jon Vallery, Secretary
Charles W. Venema, Director
Duane Burrell, Director

and the following absent:

None

Also present were Vickey Sullivan, Bill Russell, Mike Williams, Jason Hajduk, Charles Saxe, Curtis Lacy, Frank Moore, Constable Tim Holifield, John Montgomery, Herman I. Little, Jr. and persons on the attached list.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Minutes of meetings held on May 12 and May 16, 2008 were presented and reviewed. Upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the minutes of both meetings as presented.

2. The Board reviewed Certificates of Election, Qualification Letters, Statements of Elected Officer and Oaths of Office executed by newly elected Directors Frank Moore and Charles Saxe. Herman Little advised the Board that the qualifications, statements and oaths of office are in proper legal form and recommended approval by the Board. Upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve the Qualifications, Statements and Oaths of Office of the newly elected directors as presented. Herman Little advised the Board that the newly elected directors had completed questionnaires indicating that neither director will be required to submit a Conflicts of Interest Disclosure Statement as required by Texas Law. Frank Moore and Charles Saxe then assumed their positions as directors of the District.

3. Vickey Sullivan presented a tax assessor/collector's report. 2007 taxes are 97.1% collected. Ms. Sullivan noted that the Board is reviewing two requests for refund of tax overpayments. After discussion, upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the tax assessor/collector's report as presented.

4. Constable Tim Holifield presented a law enforcement report. There were 695 calls for service during the month. Constable Holifield presented a written report indicating the disposition of closed cases. There was a burglary in the District in which the investigating

officers found latent prints, and an arrest was subsequently made. This case may be related to another burglary, but that has not been confirmed. There was a possible hate crime in which racial comments were painted on a vehicle.

Constable Holifield met with the developer of Spring Trails recently, and there was a discussion of possibly having an agreement for law enforcement services with other districts. Director Smith inquired as to whether all constables assigned to the District are presently on duty. Constable Holifield reported that one deputy is on family medical leave. There is no cost to the District for the time in which the officer is on leave. It was mentioned that the fuel charge in the District's contract may not be sufficient to cover the currently higher costs of fuel. Constable Holifield reported that Deputy Finley is back on duty on night shifts. It was mentioned that the community control program is active now, and it is possible that participants may use bicycles. There was further discussion of services provided by the Constable's office.

5. Mike Williams presented an operator's report. The District had total revenues of \$188,006.04 during the month. There are 3,738 connections and 33 vacant connections. Nine leaks were repaired during the month. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated at 75% of permitted capacity and there were no permit violations. Two taps were made during the month, bringing the total to twelve for the year-to-date. Mr. Williams presented a list of delinquent accounts that are uncollectible because customers have moved away from the District without leaving forwarding address information. Seven accounts are listed with a total of \$1,000.47 remaining unpaid. Upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve writing off the delinquent uncollectible accounts as presented by the operator. Mr. Williams confirmed that the uncollectible accounts are turned over to a collection agency for further action.

Mike Williams presented a consumer confidence report reflecting the District's water quality for 2007. The report is mandated by state and federal law, and data on the report has been collected by the TCEQ. The District is required to mail the report to all customers in the District. It was mentioned that all test results reflected on the report are satisfactory, and all listed pollutants are under the maximum contaminate levels. 93 constituents are subject to tests, and the only items on the report are those detected in the District. Mr. Williams inquired as to whether the Board prefers to use color copies or black and white copies, and after discussion, upon motion by Director Vallery, seconded by Director Moore, the Board voted unanimously to approve the Consumer Confidence Report and to authorize reproduction of the report in black and white and to mail it to all customers as required by law. There was discussion of the District's meeting place, and Mike Williams confirmed that the proper entrance to the meeting place is the West Entrance of the operator's office.

6. Mike Williams presented a report on Imperial Oaks Park and grounds maintenance. Three trees were cut down in wetlands areas. There were 23 calls for use of the pavilion and two for the ball fields. Regular mowing was accomplished. Volleyball nets and ropes were replaced, and ant bait was put out. The new soccer nets are in place, also.

It was mentioned that Andrew Hampton had requested approval for construction of a bench at the soccer fields. The Board then reviewed an encroachment agreement with Tennessee Gas Pipeline Company that is required before any improvements can be installed within the pipeline right-of-way. Upon motion by Director Vallery, seconded by Director

Moore, the Board voted unanimously to approve execution of the encroachment agreement with Tennessee Gas Pipeline Company with regard to proposed construction of the bench.

7. Curtis Lacy addressed the Board on behalf of Republic Waste Services. Mr. Lacy reported that he has resumed duties as the District's account representative following his illness. Mr. Lacy then described materials that are available for collection and recycling and confirmed that corrugated cardboard will be collected. Mr. Lacy stated that a survey of drivers on the previous Saturday indicated that approximately 2,261 customers provided recycling materials. This equates to more than 64% participation on that day. This is an unusually high rate of participation. Mr. Lacy described the vehicle that is used for collection of recycling materials and noted that it is a 25 cubic-yard, rear loaded enclosed truck. There was discussion of recycling collections in Section Five that had been missed recently. It was mentioned that collections on the previous Saturday were okay. Mr. Lacy reported that a new supervisor is on the job, and he is very effective. Director Agans requested that the Board receive information on the participation rate over a longer period of time. Mr. Lacy stated that a survey will be taken on two consecutive weeks during the month and again in the following month. In response to a question by Director Smith, Mr. Lacy reported that two trucks are being used for collection of recycling materials. Mr. Lacy confirmed that a flyer will be produced for mailing to all customers in the District confirming that cardboard will be accepted. Pizza boxes are not accepted because of food materials on the cardboard.

A resident reported that recycling was not picked up on Medway on the previous Saturday. It was mentioned that using a normal truck for collection of recycling is misleading and gives the wrong appearance to residents of the community. In response to a question, Mr. Lacy confirmed that the flyer will be available for mailing with a District utility bill. Director Saxe suggested that the flyer be included in a POA newsletter.

8. Bob Garza addressed the Board with regard to a pavement failure on Imperial Oaks Boulevard at Medway. Director Saxe noted that pavement problems are the responsibility of Montgomery County.

A resident inquired concerning the Board's position on a proposed wastewater injection well in Montgomery County. Opposition has been expressed to the well that could result in waste materials flowing into the aquifer. It was mentioned that the Board has never considered the matter, but there are meetings at which community interests are being discussed. It was mentioned that a meeting will be held later in the week in The Woodlands, and interested persons should attend. There was further discussion of water quality concerns. Herman Little discussed the Charlie Burch disposal site and concerns that had been expressed in the past about the site. The District had tests made of the water supply from both District wells, and the District's water supply has not been affected by any materials related to the Burch site.

9. It was mentioned that the Board had considered possible penalties associated with dumping of lawn debris into a storm sewer in the District. Mike Williams advised the Board that he had investigated the location following the last meeting, and there was no indication of leaves or yard debris in the storm sewer. There was discussion, and it was decided that the Board would take no action on the matter.

10. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes. After payment of bills at this meeting, the debt service fund balance stands at \$2,325,175.21. The capital projects fund balance is \$1,122,856.65. The general fund balance

stands at \$1,033,592.42 following deposit of a transfer check to be approved at this meeting. 40 checks have been presented for payment of bills at this meeting totaling \$230,450.72. In addition, 25 refund checks have been presented. There was discussion of an invoice from the District's auditor for services provided in response to an inquiry from the TCEQ. The auditor's charge was \$4,072.50. The Board reviewed a budget comparison report and noted that in the previous twelve months the District had revenues greater than the budget of \$546,009. Expenses exceeded the budget by \$158,150. It was mentioned that the major factor in the District's positive fund balance related to a transfer of surplus funds that had been approved by the TCEQ. Bill Russell reported that Legacy Energy Group had monitored the District's accounts for electric power, and noted that overpayments had been made related to Water Plant No. 2 in the amount of \$17,000. Overpayments of \$30,000 have been found, to date. Additional analysis is being made on the Champion account for street lights and two lift stations. The District will be receiving two bills in the future following initiation of the Hudson Energy account beginning on July 1, 2008. Mr. Russell reported that he provides copies of bills to the Board prior to each meeting.

Director Saxe noted that he has not seen any backup information on a Director's statement for reimbursement of expenses. The report indicates mileage and phone calls that would be reimbursed. In response to a question, Bill Russell reported that he provides the Board with copies of back up information when it is submitted by directors. Director Saxe stated that there should be full documentation before the Board approves payment of director expense reimbursements. Director Saxe then made a motion to require documentation to support expense reimbursements for District directors. The motion failed for lack of a second.

Director Vallery then made a motion that the Board approve payment of all bills and director expenses, with the exception of one that does not have supporting documentation until documentation is received. The motion was seconded by Director Saxe. It was mentioned that the Board had approved policies with regard to payment of director fees and expenses in the past. In response to a question by Director Smith, Herman Little stated that the Board may revise the policy after it has been established. There was further discussion. Herman Little advised the Board that the statement used by directors, when signed by a director and notarized by the bookkeeper complies with all requirements of law. The question was called, and upon a vote, there were two votes in favor of the motion and three votes against, and the motion failed. Director Smith then moved that the Board approve payment of all bills and Director fees and expense reimbursements. The motion was seconded by Director Agans. After discussion, the question was called, and the Board voted three in favor and one against the motion to approve payment of the bills, and the motion passed. Director Saxe abstained from the vote.

11. Jason Hajduk presented an engineer's report. Mike Williams completed the drainage swale from Imperial Oaks Park, Section Nine. TCEQ rules require that water plant components be inspected every three years, and inspections are needed for both water plants. The inspection of Water Plant No. 1 has been completed, and Mr. Hajduk presented a report on the results of that inspection. Water Plant No. 2 has not been inspected yet. The engineer recommended that any action be deferred until both water plants have been inspected and results made available to the Board. Mr. Hajduk reported that design is underway for Clarifier No. 2 for the wastewater treatment plant. The District has funds in escrow for construction of Clarifier No. 2, but approved plans are required before funds will be released from escrow. Mr. Hajduk requested approval of a proposal for geotechnical services relating to the site for the second clarifier. Soil borings will be taken to be sure that conditions are suitable for installation of the

clarifier. Upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve a proposal from Toulney Wong for geotechnical services related to the clarifier project.

The District received a request from Compass Bank for a utility connection for one equivalent connection in the Kroger Center. A letter has been prepared indicating the Board's approval of the request, and upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve issuance of a utility commitment letter for the Compass Bank location. Director Vallery noted that Jim Holcomb had announced that curb returns are being modified at the Kroger Center to provide more efficient traffic flow and to reduce the likelihood of accidents.

12. Herman Little presented a form of Agreement for Storm Sewer Easements. The easements are required for construction of a supplemental storm sewer to relieve drainage problems in Imperial Oaks, Sections One and Two. A segment of the storm sewer has been completed from Imperial Oaks Boulevard to the Drainage District 6 outfall, but the upstream section of the project has not been initiated. Easements are required between two homes at the location where the storm sewer will be installed to accept storm water flows and divert them to the new storm sewer. The attorney reviewed terms of the proposed agreement and requested that the Board review the matter for consideration and approval at the next meeting.

13. Herman Little advised the Board that an Interlocal Agreement for the South Montgomery County Storm Water Coalition is required for the District's participation in the Coalition. The agreement was not available for the meeting, and it will be presented for approval at the next meeting.

14. Director Vallery stated that the Board should request proposals for services of a tax assessor/collector. Director Vallery made a motion that the Board request proposals from Kenneth Byrd and J.R. Moore for tax assessing and collection services. The motion was seconded by Director Saxe. There was discussion of the motion, and it was proposed that a special meeting be held on Monday, June 23, 2008 for both tax assessor/collectors to attend and discuss the services that they would provide. Action could be taken at the regular July meeting unless timing is critical for an earlier decision by the Board. In response to a question by the Board, Director Vallery stated that the Board should have an opportunity to save a great deal of money for tax assessing and collection services which are provided by J.R. Moore. Director Smith stated that the Board has additional responsibility in the matter to provide services to the community and not just to achieve a cost savings. Vickey Sullivan advised the Board that a key date for contracting for tax assessing and collecting services would be related to the issuance of the certified appraisal roll by the Montgomery Central Appraisal District. This would occur at the end of August or at the first of September.

Herman Little advised the Board that there are two issues of timing. One relates to the issuance of the appraisal roll and the second would relate to a decision by the Board on the 2008 tax rate. If the District uses the services of J. R. Moore, it will be necessary for the Board to make a final decision on the tax rate not later than the end of August, and this would most likely necessitate a special meeting by the Board. Director Moore noted that if the Board has a special meeting, then it will be possible to find out whether the Board can wait until the July meeting or whether a decision would be needed earlier. Director Vallery then moved to amend the previous motion to hold a special meeting on June 23, 2008 and to make the decision at a subsequent regular meeting unless there is a necessity for earlier action by the Board. Director

Moore seconded the motion, and the motion passed unanimously. The question was then called, and the Board voted unanimously to request proposals from Kenneth Byrd and J. R. Moore for presentation at a special meeting on June 23, 2008 at which the Board will review the qualifications and proposals and make a decision, if necessary.

15. Director Vallery stated that the Board will review the policy for reimbursement of director expenses. Director Vallery proposed that the form used for payments to directors be modified to remove the yes-no boxes and to authorize payment of expenses only with an itemized description of expenses. There was discussion, and Lorene Roy stated that it would be necessary to submit the documents to the directors before the meeting for their review. The Board noted that the expenses and bills are submitted to directors prior to each meeting. Charlie Venema stated that some things are impossible to document. Some expenses are based upon flat rates. Also, discussions between two directors should be considered confidential. There was further discussion, and it was agreed that the Board will wait until the next meeting to make a decision about any changes that are needed on the Board's policies for payment of director fees and expenses.

16. It was mentioned that the Board should conduct an election of officers. A President, Vice President and Secretary are required by the Texas Water Code. Director Saxe then nominated Director Vallery as President. Director Smith nominated Director Moore as President. Director Moore declined to accept the nomination. Upon a call for a vote, there were two votes in favor of the nomination and two votes against, and the nomination failed.

Director Smith then nominated Director Moore as President. Director Moore again declined the nomination. Director Saxe nominated Director Vallery as President. Upon a call for a vote, three votes were cast in favor of the nomination, and two votes were cast against, and Director Vallery was elected President of the Board.

Director Vallery nominated Director Saxe as Vice President. Director Agans nominated Director Moore as Vice President. Upon a call for a vote, there were three votes in favor of Director Moore's nomination, and Director Moore was elected Vice President of the Board.

Director Vallery then nominated Director Saxe as Secretary of the Board. There were no further nominations, and the Board voted unanimously to elect Director Saxe as Secretary of the Board. It was mentioned that the Board should elect an Assistant Secretary, and upon motion by Director Vallery, the Board voted unanimously to elect Director Smith as Assistant Secretary of the Board.


17. The Chair called for director comments. Director Agans congratulated the new board members and requested that in the future the Board should act in harmony to make decisions in the best interests of the overall community. The Board's decisions should be based upon fiscal responsibility and the high quality of service that should be provided to the District. The Board should consider both experience and the cost of services to be provided to the District.

Director Smith inquired as to the status of the District's website. It was mentioned that Charlie Venema had been managing the website, but the Board did not know whether Mr. Venema would continue providing those services. It was mentioned that the Board should consider a proposal for website management services at a future meeting. Director Smith

stated that the Board should establish a police liaison person. Director Vallery stated that he has been serving as the liaison and is willing to continue serving in that capacity.

18. It was mentioned that the Board will hold a special meeting on Monday, June 23, 2008 to consider proposals for tax assessing and collecting services.

There being no further business to come before the Board, the meeting was adjourned.

 7/14/08
Secretary